



# ***CITY COUNCIL – SPECIAL STUDY SESSION AGENDA REPORT***

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MEETING DATE: MARCH 23, 2021

ITEM NUMBER: 1

**SUBJECT: 2021-2029 HOUSING ELEMENT – STATUS UPDATE**

**DATE: MARCH 11, 2021**

**FROM: DEVELOPMENT SERVICES DEPARTMENT/PLANNING DIVISION**

**PRESENTATION BY: JENNIFER LE, DIRECTOR OF ECONOMIC AND  
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## **RECOMMENDATION**

Receive and file.

## **PURPOSE**

This study session is intended to provide information and receive feedback from the City Council regarding the Housing Element Update. This report includes information regarding Housing Element law, the Regional Housing Needs Assessment (RHNA), the Housing Element community outreach efforts, Costa Mesa's Community Profile data, and an overview of potential areas of the City that could be appropriate to include in the City's forthcoming housing strategy.

## **BACKGROUND**

The Housing Element is one of the required chapters or "elements" of the General Plan and is the only element that has a process for State certification. Costa Mesa's Housing Element is required by state law to be updated every eight years. Adopting a Housing Element requires a General Plan Amendment and is subject to at least one public hearing each by the Planning Commission and the City Council. The adopted General Plan update is required to be submitted to the State Department of Housing and Community Development (HCD) for certification by October 15, 2021.

A City Council Study Session was first held in October 2019 and a second in February 2020 to discuss the Housing Element and RHNA. The staff reports, meeting minutes and videos for these study sessions are available at the following links:

October 8, 2019 Staff Report:

<http://ftp.costamesaca.gov/costamesaca/council/agenda/2019/2019-10-08/Item-1.pdf>

Meeting Minutes:

<https://www.costamesaca.gov/home/showpublisheddocument?id=46106>

Video:

[http://costamesa.granicus.com/player/clip/3458?view\\_id=10&redirect=true](http://costamesa.granicus.com/player/clip/3458?view_id=10&redirect=true)

February 25, 2020 Staff Report:

<http://ftp.costamesaca.gov/costamesaca/council/agenda/2020/2020-02-25/Item-1.pdf>

Meeting Minutes:

<https://www.costamesaca.gov/home/showpublisheddocument?id=46110>

Video:

[https://costamesa.granicus.com/player/clip/3517?view\\_id=10&redirect=true](https://costamesa.granicus.com/player/clip/3517?view_id=10&redirect=true)

Following the February 2020 Study Session, the City retained Kimley–Horn as the City’s consultant expert and launched the Housing Element Update effort in August 2020.

For the Housing Element Update, the City must identify potential land suitable for housing development to meet the City’s RHNA allocation. As part of the update, the City must also establish goals, policies, objectives and an implementation program that responds to recent housing legislation and demonstrates how Costa Mesa will meet its existing and future housing needs for all income levels.

Although the City does not build housing, the Housing Element creates a strategy and high-level regulatory framework that provides opportunities for the private sector to develop housing.

### **Regional Housing Needs Assessment Update (RHNA)**

State law requires that jurisdictions have a certified Housing Element that provides appropriate zoning at adequate residential densities to accommodate the number of units at the required levels of affordability identified in the City’s RHNA allocation. The RHNA allocation is planned for an eight-year cycle. The City is currently in the 6<sup>th</sup> RHNA/Housing Element cycle with an eight year planning period from October 2021 to October 2029.

Under the Southern California Association of Government’s (SCAG’s) approved RHNA methodology for the 2021-2029 Housing Element planning period, Costa Mesa’s draft RHNA allocation was 11,733 units.

## RHNA Appeal

On October 20, 2020, the City Council authorized and directed staff to appeal the RHNA allocation. The City submitted its appeal to SCAG on October 26, 2020. SCAG received a total of 52 appeals (19 from Orange County jurisdictions) indicating several common reasons why the RHNA allocation was unrealistic and could not be accommodated in the eight-year RHNA cycle. City staff presented the appeal at a public hearing on January 22, 2021 and made a compelling argument that there were many constrained areas of land in the City which are subject to external factors and not feasible for housing development within the eight-year cycle.

Even though there was a general discussion among the appeal board members that the 6<sup>th</sup> cycle RHNA allocation of 1.34 million housing units to the SCAG region was unrealistic and that legislation is needed to modify the RHNA process at the state level, all appeals but two were denied (all Orange County cities' appeals were denied). SCAG's decision was ultimately ratified at its meeting of February 16, 2021. The final RHNA allocation for Costa Mesa was increased slightly from 11,733 to 11,760 housing units due to redistribution of units as a result of the two approved appeals.

## Final RHNA Allocation

The following table provides a breakdown of Costa Mesa's final RHNA allocation by state-defined income category based on SCAG's March 3, 2021 decision):

**Table 1 – Final RHNA Allocation**

<b>Income Category</b>	<b>% of Area Median Income (AMI)</b>	<b>2021-2029 RHNA</b>
Very Low Income	< 50%	2,919
Low Income	51% - 80%	1,794
Moderate Income	81% - 120%	2,088
Above Moderate Income	> 120%	4,959
<b>TOTAL (Costa Mesa)</b>		<b>11,760</b>
<b>TOTAL (SCAG Region)</b>		<b>1,341,827</b>

The area median income for a 4-person household in Orange County in 2020 was \$103,000.

## **SB 35, AB 72 and Consequences of a Non-compliant Housing Element**

A jurisdiction with a non-compliance Housing Element has limited access to state funding programs, potentially jeopardizing millions of dollars in transportation-related grants, CDBG funds, HOME Investment Partnership Program funds, and the newly established Senate Bill 2 and Assembly Bill 101 State planning grants.

In addition, recent legislation such as AB 72 and SB 35 authorizes the State Department of Housing and Community Development (HCD) to find a jurisdiction out of compliance with state housing law. Under those provisions, HCD now has the authority to decertify a

Housing Element, if an action by a City is not in compliance with the adopted Housing Element.

In addition to obtaining a certified Housing Element, every April, cities and counties must submit Annual Progress Reports for the prior year, showing whether they are on-track to meet their RHNA allocation. Progress is measured by how many housing construction permits a city has issued for housing units at various income levels. This requirement is part of Housing Element compliance and is tracked by HCD. If adequate progress is not reported, SB 35 (2017) could be enacted as described later in this report.

The City is also required to ensure that housing capacity is maintained on sites with the potential to accommodate affordable units (as identified in the adopted Housing Element) throughout the eight year planning period. If those sites are instead developed for market rate housing, the City may eventually trigger the “No Net Loss” provision of State law and will need to identify additional sites to accommodate the unmet need.

AB 72, enacted in 2017, grants HCD the authority to review any action or failure to act by a local government that may be inconsistent with an adopted Housing Element or housing element law. This includes failure to implement program actions included in the Housing Element. Consequently, HCD may revoke Housing Element compliance if the local government’s actions do not comply with state law. HCD’s website on AB 72 (Accountability and Enforcement) lays out potential scenarios, though each case is unique. <https://www.hcd.ca.gov/community-development/accountability-enforcement.shtml>

HCD also has the authority to notify the California Office of the Attorney General that a local jurisdiction is in violation of state law for non-compliance with housing element law, the Housing Accountability Act, “no net loss” law, density bonus law, or anti-discrimination law. A non-compliant Housing Element would mean that the City could be subject to the following actions.

1. Potential loss of access to certain State grant funds
2. Potential loss of control over development; for example, a city may be required to approve any proposed development that offers at least 20% of the units affordable to low-income households. CEQA streamlining provisions may also be applied to these projects.
3. A court may suspend the City’s authority to issue any building permits or other approvals.
4. HCD may forward a noncompliance case to the California Office of the Attorney General.
5. Developers and housing advocacy groups may sue the city.

## **PAST PERFORMANCE**

The projected housing need for the SCAG region for the 5th cycle RHNA 2013 to 2021 planning period was 412,137 units. The City’s RHNA allocation for the 5<sup>th</sup> Cycle 2013 to

2021 planning period was only two housing units (one very low income unit and one low income unit). In general, many cities received low RHNA allocations during the 5<sup>th</sup> cycle (Newport Beach was allocated five units and Laguna Beach two units) due to several factors such as foreclosures and high vacancy rates during the recession.

Per Government Code section 65400 the City has prepared annual progress reports (APR) on the status of the Housing Element and the City's progress in meeting its RHNA allocation. <https://www.costamesaca.gov/city-hall/city-departments/development-services/approved-plans-for-city/2015-2035-general-plan/general-plan-annual-reports>

The most recent report shows that between 2014 and 2019, the City finalized building permits for 948 new housing units. Of those, eight housing units fell into lower income categories. Additional housing units are currently under construction, including an additional nine deed-restricted "very low income" units associated with the project at the former Costa Mesa Motor Inn site (2277 Harbor Boulevard). As such, the City expects to meet and exceed its RHNA allocation for this planning period.

## **HOUSING ELEMENT UPDATE**

California's housing element law acknowledges that for the private market to adequately address the housing needs and demand of Californians, local governments must adopt plans and regulatory systems that provide opportunities for (and do not unduly constrain) housing development.

The Housing Element does not mandate construction of units, though SB 35 streamlining provisions (which are already in place), may become stricter if housing construction is not occurring. Currently under SB 35, the City is required to provide developers with the opportunity to streamline development as outlined in the law for developments proposing at least 50% affordable housing. This is because the City has done a good job meeting its RHNA need in the 5<sup>th</sup> cycle. That threshold could drop to 10% affordable housing if during HCDs annual review, the City is found to not be keeping proportionate pace of housing. As long as the City plans for and maintains capacity to accommodate housing units at all income levels, the City should remain in compliance.

Following the adoption of the Housing Element and its associated policies and implementation program, the City has three years to complete any follow-up actions related to the General Plan or Zoning for housing sites as outlined in the Housing Element implementation program.

The Housing Element contains the following major components:

- Community Profile
- Opportunities and Constraints Analysis
- Goals, policies and objectives
- Implementation Program
- Appendices
  - Summary of Community Outreach

- Review of Past Performance
- Sites Analysis

The following sections discuss the various components of the Housing Element Update currently underway.

## **Community Outreach**

Based on direction from the City Council, staff have worked with Kimley-Horn to implement a comprehensive outreach approach including using creative methods to engage harder-to-reach populations including senior citizens, families experiencing or at risk of housing insecurity, and non-English speakers. The following is a summary of the major outreach events completed to date:

1. Virtual Townhalls – The first townhall meeting was held on November 18, 2020. The intent of this meeting was to introduce the Housing Element requirements and provide an overview of the process. More than 65 individuals participated. There was a general presentation on the Housing Element Update and public comments were received. The presentation and video of the meeting are available at this link: <https://www.costamesaca.gov/home/showpublisheddocument?id=46282>  
<https://www.youtube.com/watch?v=Y5GNLnLabD4&feature=youtu.be>
2. Community Surveys – Following the townhall meeting, a survey was released in English and Spanish; it was intended to gather high-level information required to understand the general views of Costa Mesa residents on housing issues as prompted by key housing and affordability questions. Staff used several methods to publicize the survey by distribution of fliers, posting on the City's website and social media as well as the City's snapshot articles. Email blasts were also sent to the Housing Element interest list, home builders, stakeholders, school district staff, and utility contacts. The survey window closed on February 22, 2021; 465 surveys were received including 447 in English and 18 in Spanish. There were 10 questions in the survey including questions related to which district the respondents live, whether they own or rent their home, housing availability, questions regarding desired multi-family and single-family housing types, opportunity areas for additional housing and the age group of the respondents. There were also more than 160 written comments received that staff is in the process of analyzing. A summary of the survey results is included as Attachments 2, 3, and 4.
3. District-specific Meetings – Two District-specific workshops were held on February 17 and 18, 2021 to allow for a more detailed discussion of the unique issues and opportunities within each Council district. The first meeting included districts one, two and three; the second meeting included districts four, five and six. Both meetings started with an overview of the Housing Element and were followed by break out rooms (one per district) to discuss constraints, potential housing opportunity sites, and compatible housing types for each district. Each meeting also included a breakout room for Spanish language participants. The District

presentation and break out room videos are posted on the Housing Element Webpage.

4. Subject Matter Expert Meetings – Staff held meetings to solicit feedback from groups that may hold specific expertise or information related to housing resources or housing needs such as community organizations, home builders, affordable housing developers, homeless services providers and housing advocates. In addition, staff is in the process of meeting with major landowners and holding targeted meetings with neighborhood groups in harder-to-reach areas of the community.
  - Home Builders/ Developers - Staff held a meeting with housing developers and home builders, which was attended by 11 participants. The following ideas and comments regarding constraints and opportunities were shared at this meeting:
    - By right residential zoning in appropriate areas (for example, specific plans or downtowns plans) is recommended
    - Lower parking standards to match parking demand for large residential complexes
    - Uncertainty associated with the Measure Y process discourages investment
    - Expedite and streamline planning application processing
    - Provide a clear, comprehensive fee schedule
    - Defer development impact fees
  - Housing Advocacy Groups – There were five participants in this meeting. The following general ideas and comments regarding constraints and opportunities were shared:
    - Housing Element should plan for workforce housing
    - Housing development in Costa Mesa has been unbalanced with an increase in above-moderate income housing and not enough affordable housing
    - Combine changes in zoning with an inclusionary housing ordinance to achieve affordability with new development
    - Provide by right zoning for housing development in appropriate locations
    - Partner with churches and City-owned properties to develop housing in underutilized parking lots
    - Housing should be equitable and distributed fairly in the community
    - There is a need for larger units to accommodate larger households at affordable levels
  - Homeless and service Providers – There were seven participants in this meeting who specialized in homeless services, transitional and permanent housing for homeless individuals and families as well as social services for

domestic violence and women and children. The following general ideas regarding constraints and opportunities were shared:

- Setting aside affordable housing with each development should be considered
  - Density bonus should be encouraged with relaxed parking standards
  - Option of a 99-year ground lease on City properties for housing development should be considered
  - Education and services are needed to help individuals facing housing challenges such as improving credit score, filing paperwork, fear of immigration issues, and mental illness
  - Supportive housing with wraparound services, employment training, subsidized housing, education and mentorship programs are needed
  - Tenant Based Rental Assistance (TBRA) and other rental subsidy programs are needed
  - Place housing close to transportation and providing bike and pedestrian accessibility
  - Alternative housing options such as co-living and conversion of commercial and office building into residential units are recommended
  - Tiny house sites are recommended
5. Outreach Materials in English and Spanish – The meeting fliers, email blasts, social media posts, and PowerPoint presentations for the virtual townhall and district-specific meetings were provided in both English and Spanish. In addition, Spanish language breakout groups at the district-specific meetings were offered for a more in depth discussion with the Spanish speaking community.
6. Social Media, Community Platforms, and Online Engagement – There has been a consistent focus on online engagement through multiple platforms including the City’s website e-blasts, social media including Facebook and Twitter, community sharing platforms such as NextDoor, and text blasts. By early March, there were a total of 83,331 “impressions” on social media; summary information on the total number of engagements for each posting is provided as Attachment 1.

City staff are continuing its community outreach efforts including: connecting with community organizations and neighborhood leaders to engage in more detailed conversations with harder-to-reach communities; meetings with major landowners to discuss future plans for vacant sites and sites under development agreements; and launch of a series of short videos focused on the Housing Element and community housing issues. A detailed description of feedback received for all outreach efforts will be included in the draft Housing Element.

## Community Profile

The first step in development of the Housing Element is to collect the housing, population, and economic data for the City and to summarize this information for the community and decision-makers. Such data is useful in understanding the community's changing demographics and to inform future policy discussions regarding existing and future housing needs. Specifically, the Community Profile describes the community's population, employment, economics, and household characteristics. Special needs groups and housing stock characteristics are also described. Basically, the Community Profile provides a baseline analysis to inform the goals, programs, and policies included in the Housing Element.

The information in the Community Profile is divided into three major topics of: Population, Economics, and Household Characteristics that are discussed as follows.

1. **Population Characteristics** – This data includes population growth at the City level, population age characteristics, and population race/ethnicity characteristics. The following is a snapshot of population growth in Costa Mesa and adjacent cities:

Jurisdictions	Population					Percent Change	
	2010 Actual	2012 Projected	2020 Projected	2035 Projected	2040 Projected	2010- 2020	2020-2040
Newport Beach	85,186	86,300	89,300	92,300	92,700	4.8%	3.8%
<b>Costa Mesa</b>	<b>109,960</b>	<b>111,200</b>	<b>113,900</b>	<b>116,500</b>	<b>116,400</b>	<b>3.6%</b>	<b>2.2%</b>
Irvine	212,375	227,100	296,300	326,700	327,300	39.5%	10.5%
Santa Ana	324,528	329,200	340,600	343,400	343,100	5%	0.7%
Huntington Beach	189,992	193,200	203,800	207,300	207,100	7.3%	1.6%
Orange County	3,010,232	3,072,000	3,271,000	3,431,000	3,461,000	8.7%	5.8%
<i>Sources: Bureau of the Census (2010) and SCAG 2016-2040 Regional Growth Forecast by Jurisdiction Report.</i>							

The following table shows age distribution in Costa Mesa showing that 20.3% of the population is 17 years old and under, 9.6% is 18 to 24 years old, 35.2% are ages 25 to 44, 24.3% are ages 45 to 64, and 10.7% of the population is 65 years old or above.

<b>Jurisdiction</b>	<b>Under 5</b>	<b>5 to 14</b>	<b>15 to 17</b>	<b>18 to 24</b>	<b>25 to 44</b>	<b>45 to 64</b>	<b>65 years +</b>
Newport Beach	3.9%	10%	3.5%	6.3%	23.4%	30.2%	22.7%
<b>Costa Mesa</b>	<b>5.7%</b>	<b>11.4%</b>	<b>3.2%</b>	<b>9.6%</b>	<b>35.2%</b>	<b>24.3%</b>	<b>10.7%</b>
Irvine	6.4%	12.4%	3.6%	13%	30.8%	23.9%	9.9%
Santa Ana	7.5%	15.2%	4.4%	11.3%	30.9%	22.1%	8.6%
Huntington Beach	5.2%	10.9%	3.5%	7.6%	27%	29%	16.9%
Orange County	6.0%	12.5%	4%	9.5%	27.4%	26.6%	13.9%

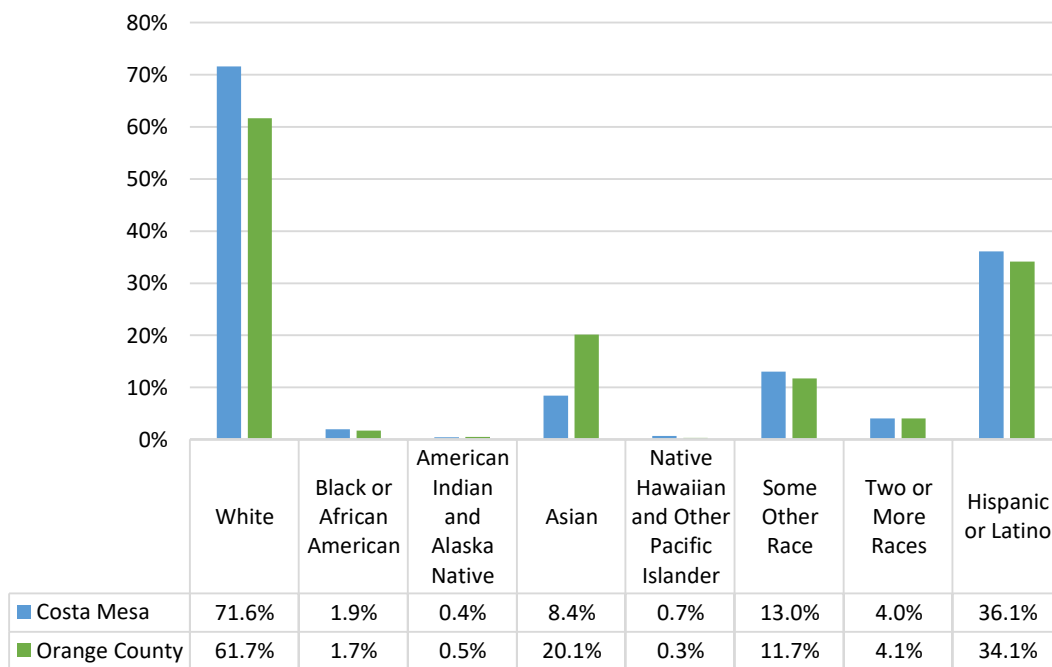
*Source: American Community Survey, 5-Year Estimates, 2018*

The following table shows racial and ethnic distribution in Costa Mesa.

<b>Jurisdiction</b>	<b>White</b>	<b>Black</b>	<b>American Indian and Alaska Native</b>	<b>Asian</b>	<b>Native Hawaiian or Other Pacific Islander</b>	<b>Some Other Race</b>	<b>Two or More Races</b>	<b>Persons of Hispanic or Latino Origin (of any race)</b>
Newport Beach	85.3%	0.8%	0.3%	8.3%	0.2%	2.1%	3.1%	9%
<b>Costa Mesa</b>	<b>71.6</b>	<b>1.9%</b>	<b>0.4%</b>	<b>8.4%</b>	<b>0.7%</b>	<b>13%</b>	<b>4%</b>	<b>36.1%</b>
Irvine	47.6%	1.9%	0.2%	42.3%	0.2%	2.8%	5.2%	10.3%
Santa Ana	44.2%	1.1%	0.6%	11.8%	0.2%	40.1%	1.9%	76.8%
Huntington Beach	72.4%	1.4%	0.6%	12.1%	0.4%	7.7%	5.4%	20.0%
Orange County	61.7%	1.7%	0.5%	20.1%	0.3%	11.7%	4.1%	34.1%

*Source: American Community Survey, 5-Year Estimates, 2018.*

The following chart represents the ethnic and racial composition of the City in comparison to Orange County.



2. **Economics Characteristics** – This data includes wages, employment, industry sectors, unemployment rates and median salaries by occupation. The following is a snapshot of the employment data of Costa Mesa and adjacent cities and shows a steady increase in employment in the county and in local cities.

Jurisdiction	2012	2020	2035	2040	% Change 2012-2020	% Change 2020-2040	Numeric Change 2012-2040
Newport Beach	76,000	77,900	78,900	79,100	2.5%	1.5%	3,100
<b>Costa Mesa</b>	<b>84,600</b>	<b>89,600</b>	<b>92,700</b>	<b>93,200</b>	<b>5.9%</b>	<b>4.0%</b>	<b>8,600</b>
Irvine	224,400	280,600	314,000	320,000	25.0%	14.0%	95,600
Santa Ana	154,800	160,600	165,200	166,000	3.7%	3.4%	11,200
Huntington Beach	75,800	82,900	86,400	87,000	9.4%	4.9%	11,200
Orange County	1,526,000	1,730,000	1,870,000	1,899,000	13.4%	9.8%	373,000
Source: SCAG 2016-2040 Regional Growth Forecast by Jurisdiction Report.							

The following table shows employment growth in the City and adjacent cities.

Table 5: Employment Growth Trends, 2012-2040							
Jurisdiction	2012	2020	2035	2040	% Change 2012-2020	% Change 2020-2040	Numeric Change 2012-2040
Newport Beach	76,000	77,900	78,900	79,100	2.5%	1.5%	3,100
<b>Costa Mesa</b>	<b>84,600</b>	<b>89,600</b>	<b>92,700</b>	<b>93,200</b>	<b>5.9%</b>	<b>4.0%</b>	<b>8,600</b>
Irvine	224,400	280,600	314,000	320,000	25.0%	14.0%	95,600
Santa Ana	154,800	160,600	165,200	166,000	3.7%	3.4%	11,200
Huntington Beach	75,800	82,900	86,400	87,000	9.4%	4.9%	11,200
Orange County	1,526,000	1,730,000	1,870,000	1,899,000	13.4%	9.8%	373,000
Source: SCAG 2016-2040 Regional Growth Forecast by Jurisdiction Report.							

3. **Households Characteristics** – This data includes household types and size, and median incomes. In Costa Mesa, the total number of households is 41,019. The following is a snapshot of household data, which shows that 10.7% of the population in Costa Mesa is over 65, which is similar to Irvine and Santa Ana but lower than other adjacent coastal cities.

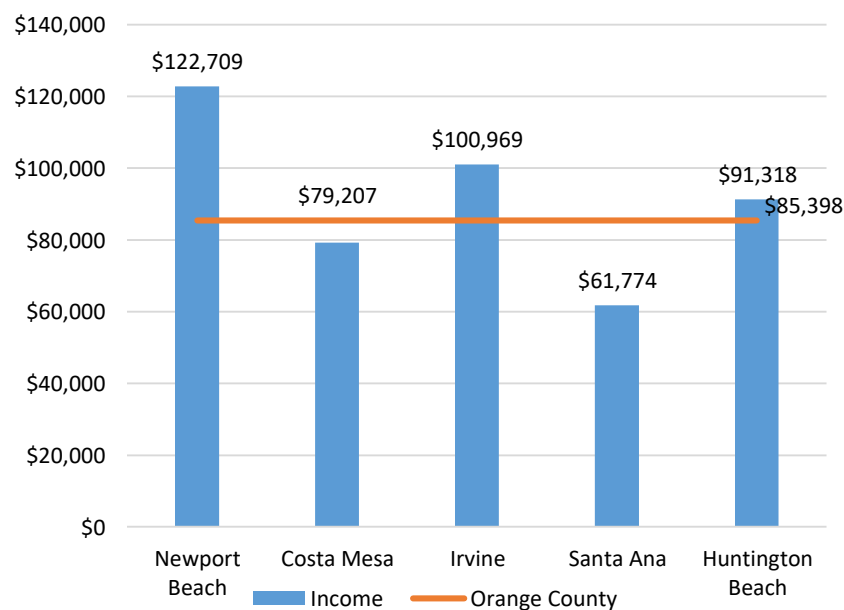
Persons 65 and over		
Jurisdiction	Population Count	Percent
Newport Beach	19,574	22.7%
<b>Costa Mesa</b>	<b>12,138</b>	<b>10.7%</b>
Irvine	26,228	9.9%
Santa Ana	28,621	8.6%
Huntington Beach	34,002	16.9%
Orange County	440,488	13.9%
Source: American Community Survey, 5-Year Estimates, 2018.		

The following table shows that in Costa Mesa 42.8% of households are married-couple households in comparison with the County that has 54.7% married-couple households. 40.2% are non-family households, with 10.2% being female-headed households.

Jurisdiction	Married-couple Family Households	% of Total Households	Female Household, No Spouse Present	% of Total Households	Non-Family Household	% of Total Households	Total Households
Newport Beach	18,965	50.1%	1,870	4.9%	16,088	42.5%	37,870
<b>Costa Mesa</b>	<b>17,568</b>	<b>42.8%</b>	<b>4,191</b>	<b>10.2%</b>	<b>16,509</b>	<b>40.2%</b>	<b>41,019</b>
Irvine	51,682	54.2%	8,418	8.8%	31,636	33.2%	95,371
Santa Ana	41,543	54.3%	13,754	18.0%	14,337	18.7%	76,521
Huntington Beach	37,588	48.9%	8,263	10.8%	26,961	35.1%	76,821
Orange County	564,685	54.7%	121,753	11.8%	290,652	28.2%	1,032,373

*Source: American Community Survey, 5-Year Estimates, 2018.*

The following graphic shows that the median household income in Costa Mesa is \$79,207 slightly lower than the county average.



- Housing Issues** - The Community Profile also analyzes data on housing issues such as overcrowding, over-payment/cost burden, large households, single-parent households, homeless individuals, special needs groups and seniors. The following is a snapshot of the housing data regarding large households, which shows that large households constitute approximately 10% of total households. Of those large households, 62.8% are renter households and 37.2% are owner households.

Large Households by Tenure in Costa Mesa						
Household Size	Owner		Renter		Total	
	Count	Percent	Count	Percent	Count	Percent
5-Person Household	944	62.1%	1,441	56%	2,385	58.3%
6-person household	278	18.3%	728	28.3%	1,006	24.6%
7-or-more person Households	298	19.6%	402	15.6%	700	17.1%
<b>Total</b>	<b>1,520</b>	<b>37.2%</b>	<b>2,571</b>	<b>62.8%</b>	<b>4,091</b>	<b>100%</b>
<i>Source: American Community Survey, 5-Year Estimates, 2018</i>						

The following is a snapshot of the housing data regarding overcrowding, which shows that 9% of Costa Mesa's housing units are considered "overcrowded", similar to the County overall.

Table 17: Overcrowded Housing Units		
Jurisdiction	Total Overcrowded Units	Percent of Total Housing Units
Newport Beach	570	1.5%
<b>Costa Mesa</b>	<b>3,686</b>	<b>9%</b>
Irvine	5,879	6.2%
Santa Ana	23,845	31.2%
Huntington Beach	2,848	3.7%
Orange County	91,513	8.9%
<i>Source: American Community Survey, 5-Year Estimates, 2018.</i>		

The following is a snapshot of the housing data regarding rental rates, which shows that as of January 2020, average monthly rent for a one bedroom rental unit is \$2,159, \$2,649 for a two bedroom unit, and \$3,160 for a three bedroom unit.

Table 32: Average Monthly Rental Rates, 2017-2020					
Unit Type	January 2017	January 2018	January 2019	January 2020	% Change 2017-2020
1 Bedroom	\$2,055	\$2,077	\$2,091	\$2,159	5.1%
2 bedrooms	\$2,553	\$2,582	\$2,579	\$2,649	3.8%
3 Bedrooms	\$3,027	\$3,044	\$3,097	\$3,160	4.4%
Price per Square Foot					
Unit Type	January 2017	January 2018	January 2019	January 2020	% Change 2017-2020
1 Bedroom	\$2.48	\$2.57	\$2.97	\$2.83	14.1%
2 bedrooms	\$2.20	\$2.25	\$2.32	\$2.36	7.3%
3+ Bedrooms	\$1.95	\$2.15	\$2.25	\$2.30	17.9%
Source: Zillow Rent Index Report, January 2017-2020, accessed August 17, 2020.					

The Community Profile in its entirety will be included in the draft Housing Element.

## Housing Programs and Policies

In addition to the Community Profile, the Housing Element must include an analysis of opportunities and constraints (both governmental and non-governmental) and must also articulate housing goals, policies and objectives that support and promote housing. Previous Housing Element goals and policies focused on: 1) preserving the existing housing stock including mobile home parks; 2) promoting use of programs such as density bonus to promote affordable housing development; 3) encouraging development or maintenance of a range of housing types that varies sufficiently in terms of cost, design, size, location, and tenure; and 4) ensuring existing and future housing opportunities are open and available to all social and economic segments of the community.

Given that the 6<sup>th</sup> Cyle RHNA allocation includes 11,760 units, the policies and programs of this Housing Element Update will need to be more detailed and assertive to ensure compliance with State requirements and to support future compatible housing opportunities over the next 8 years.

## Site Inventory Analysis

In addition to programs and policies that encourage housing at all income levels, the Housing Element is required to identify specific sites where housing could be located. The Housing Element team will undertake a comprehensive review of all land uses and potential housing sites referred as a "Site Inventory". The site analysis process will consider the fair and equitable distribution of housing throughout the City and at all income levels.

While the sites analysis is not complete, it is clear that because the City has very few areas which permit residential development at or above 30 du/ac (the default density identified by State HCD as the density at which the market may create affordable housing), the City likely does not have the existing capacity to meet its RHNA allocation in affordable categories without re-visioning and revising zoning in certain areas. In fact, the City's base zoning districts do not allow more than 20 du/acre, with higher densities allowed in certain areas by specific plan, overlay/urban plan or other means.

Given the high RHNA allocation of 11,760 units, a combination of strategies will need to be considered such as: modifying the zoning in appropriate locations to allow a minimum density of 30 du/acre to meet the default density requirements set by State HCD; revisiting the City's Urban Plans and Specific Plans to allow higher densities at strategic locations such as on Commercial and Industrial sites; and planning for housing development in appropriate underutilized areas such as surface parking lots. ADUs and Junior ADUs could contribute additional units in lower density areas of the city; however, this strategy will likely accommodate only a small portion of the RHNA allocation.

In discussions with Subject Matter Expert groups and during the District-Specific outreach meetings, the following areas were identified as potential areas for housing:

1. Fairview Developmental Center – This site is currently zoned to allow 582 units. Additional units could be accommodated at the large 100-acre site; however, given that the site is owned and operated by the State Department of General Services, the City will need to continue to coordinate with the State as to the future vision and opportunities for housing at the site.
2. Industrial sites – There are three major industrial hubs within the City:
  - a. the area north of the I-405, some of which is covered by the North Costa Mesa Specific Plan;
  - b. the industrial area near Baker Block; and
  - c. the industrial area near John Wayne Airport.

Since these areas include larger parcels, such parcels may be appropriate for larger scale housing development; however, for industrial areas near John Wayne Airport, the airport noise contours may limit opportunities. Properties in the industrial area near Baker Block could also be considered. The City will need to evaluate long-term fiscal and employment considerations as part of its land use policy discussions for housing in these industrial areas.

3. Newport Boulevard Specific Plan area – The Specific Plan that includes properties fronting Old Newport Boulevard from Mesa Drive to 19<sup>th</sup> Street was adopted in 1996. The Specific Plan allows for residential development at a maximum density of 17 du/acre. Additional housing opportunities could be possible in this area.
4. Surplus School and Church properties – School sites are largely overseen by the school district and the State; however, the City could evaluate potential surplus land. Large church sites with Public/Institutional zoning could also be considered in the analysis.
5. Mixed Use Zoning along Major Commercial Corridors such as Harbor Boulevard, 19<sup>th</sup> Street, and 17<sup>th</sup> Street – There is currently a mixed use overlay along Harbor

Boulevard that extends from 19<sup>th</sup> Street to north of Victoria Street that could be modified to allow more options for mixed use and residential development. Suggestions were also made to consider walk up apartments either along 17<sup>th</sup> Street as mixed use development or in close proximity to take advantage of the pedestrian connections on 17<sup>th</sup> Street. Both horizontal and vertical mixed use opportunities could be considered.

6. Rezone of Commercial Centers with high vacancy – The City could evaluate commercial centers with high vacancy rates to allow an option for mixed use development.
7. Accessory Dwelling Units – The City's local ordinance includes development standards that allow for and encourage ADU and Junior ADU development. These units could be counted toward the City's RHNA allocation and provide additional housing opportunities in neighborhoods with existing low density housing.
8. Focus on Reuse of Commercial and Industrial Sites instead of Redevelopment of Existing Housing Sites - In order to maintain the City's current housing stock, policies related to rehabilitation of existing housing and a focus on non-residential sites such as commercial and industrial areas for additional housing may be desired.

City staff and our consultant team are evaluating the above listed areas as part of the Sites Analysis effort and will return to the City Council at a future meeting to discuss the opportunities and constraints analysis, sites analysis, and the draft policy and implementation program.

## **Measure Y**

As the Housing Element team evaluates areas throughout the City for its ability to support compatible housing projects in Costa Mesa, it appears that Measure Y may present a major challenge in developing a compliant Housing Element. While the state-required Housing Element update itself is exempt from Measure Y, the language of Measure Y is unclear as to how it might apply to any planning or zoning efforts necessary to meet the State-mandated RHNA allocation. Should the City fail to achieve Housing Element certification or fall out of compliance due to an inability to plan or zone for housing needs, the City would be subject to sanctions such as ineligibility for state grants and the loss of transportation funding. This is important as the City receives approximately \$5 million per year in funding from the state which currently funds the City's streets, curb and gutter repair, active transportation and other critical infrastructure projects.

In addition to difficulties in maintaining a compliant Housing Element, Measure Y appears to present an impediment to property owners deciding to develop housing in Costa Mesa because of the uncertainty that arises from the need for a ballot measure requiring voter approval. Such potential impediments make it difficult for the City to maintain a compliant Housing Element (given a RHNA allocation of this magnitude), and/or to show sufficient progress toward meeting the City's RHNA allocation each year as required by state law. Staff has already seen a number of interested property owners and developers choose

to invest in other communities rather than risk the time, cost and uncertainty of processing a request through Measure Y.

Maintaining a compliant Housing Element in the context of Measure Y is an important issue warranting continued conversations with the Costa Mesa community, housing advocates, property owners and City staff and officials. Ultimately, we must come to consensus on how to move forward with a successful housing strategy that allows us to achieve our common housing goals.

## **PLANNING COMMISSION STUDY SESSION**

The Planning Commission held a study session on March 1, 2021. There were six public speakers who provided comments regarding several topics including: 1) the importance of an inclusionary housing ordinance with a minimum affordability requirement; 2) amending the Urban Plan and Residential Incentive Overlays to require a minimum affordability requirement; 3) upzoning Fairview Developmental Center to allow a mix of uses, densities and housing types; 4) including provisions for permanent supportive housing; 5) allowing higher densities to attract market rate housing developers that could lead to development of affordable housing; and 6) recognizing Measure Y as a potential impediment, consequences of non-compliance, and that SB 35 that could lead to housing development without California Environmental Quality Act (CEQA) compliance.

The Planning Commission discussed the City's challenges in meeting its high RHNA allocation and provided comments including but not limited to the following:

1. Importance of recognizing that non-compliance with RHNA/State laws will have consequences such as losing local control and streamlining of projects without local input
2. State requirement of AB 1397 related to site area of ½ acre minimum and 10 acre maximum for housing development will affect the City's sites analysis
3. Consideration of allowing for housing on large parking lots of commercial properties
4. Consideration of clustering development in appropriate locations while maintaining open space and the potential for a transfer of development rights policy
5. Consideration of policies that lead to a variety of housing types and designs that are compatible with the Costa Mesa fabric and meet the needs of various populations in terms of household type, age, and income groups
6. Consideration of City-owned properties for housing development
7. Consideration of housing policies that provide a pathway to homeownership

The Planning Commission Study Session can be viewed at the following link:

[https://costamesa.granicus.com/player/clip/3670?view\\_id=10&redirect=true](https://costamesa.granicus.com/player/clip/3670?view_id=10&redirect=true)

## **NEXT STEPS:**

The next few months are critical to the Housing Element Update process and to meeting the State mandated timeline for adoption. In the next few months, the Housing Element Update team will:

- Continue with targeted community outreach efforts
- Complete the Opportunities and Constraints analysis and the comprehensive Sites Analysis
- Hold a joint Planning Commission/City Council Study Session in April to discuss the housing strategy for meeting the City's RHNA allocation, potential programs and policies, and the Housing Element Implementation Program

Based on collected data, public input, and feedback from the Planning Commission and City Council, staff will complete a draft Housing Element for public review, referred to as the "Public Review Draft." The Public Review Draft will be released for a 30-day public comment period. After, the revised draft will be submitted to HCD for review. Following any revisions, a final-draft Housing Element will be released to the public, along with the required CEQA compliance analysis. Public hearings with the Planning Commission and City Council are anticipated in late summer through fall 2021. Ultimately, an adopted Housing Element is required to be submitted to HCD by October 15, 2021.

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**MINOO ASHABI**  
Principal Planner

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**JENNIFER LE**  
Director of Economic and  
Development Services

## **ATTACHMENTS:**

1. [Social Media Data](#)
2. [Community Survey Summary- English language](#)
3. [Community Survey Summary- Spanish language](#)
4. [Community Survey Comments Summary](#)